

USDA Outlook Forum 2015



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Who are Industrial Sugar Users?

- Used 60% of all sugar in U.S. in FY '14
- Bakery/cereal, confectionery largest categories
- 600,000 jobs – direct employment
 - 70,000 of those in confectionery
 - More if we used grower methodology

Characteristics of Sugar Users

- Consistent top quality a must
- Reliable, timely supply essential
- Tend to buy forward
- Often use multiple suppliers
- Less true of small users
 - Less ability to hedge, buy in volume
 - Numerous examples of job loss



Importance of Refiners

- Need supply of both cane, beet sugar
- Geographic diversity (different port ranges)
- Domestic vs. imported refined sugar supply
- Year-round supply (beets seasonal)
- Growing non-GMO demand
- By-products (molasses)

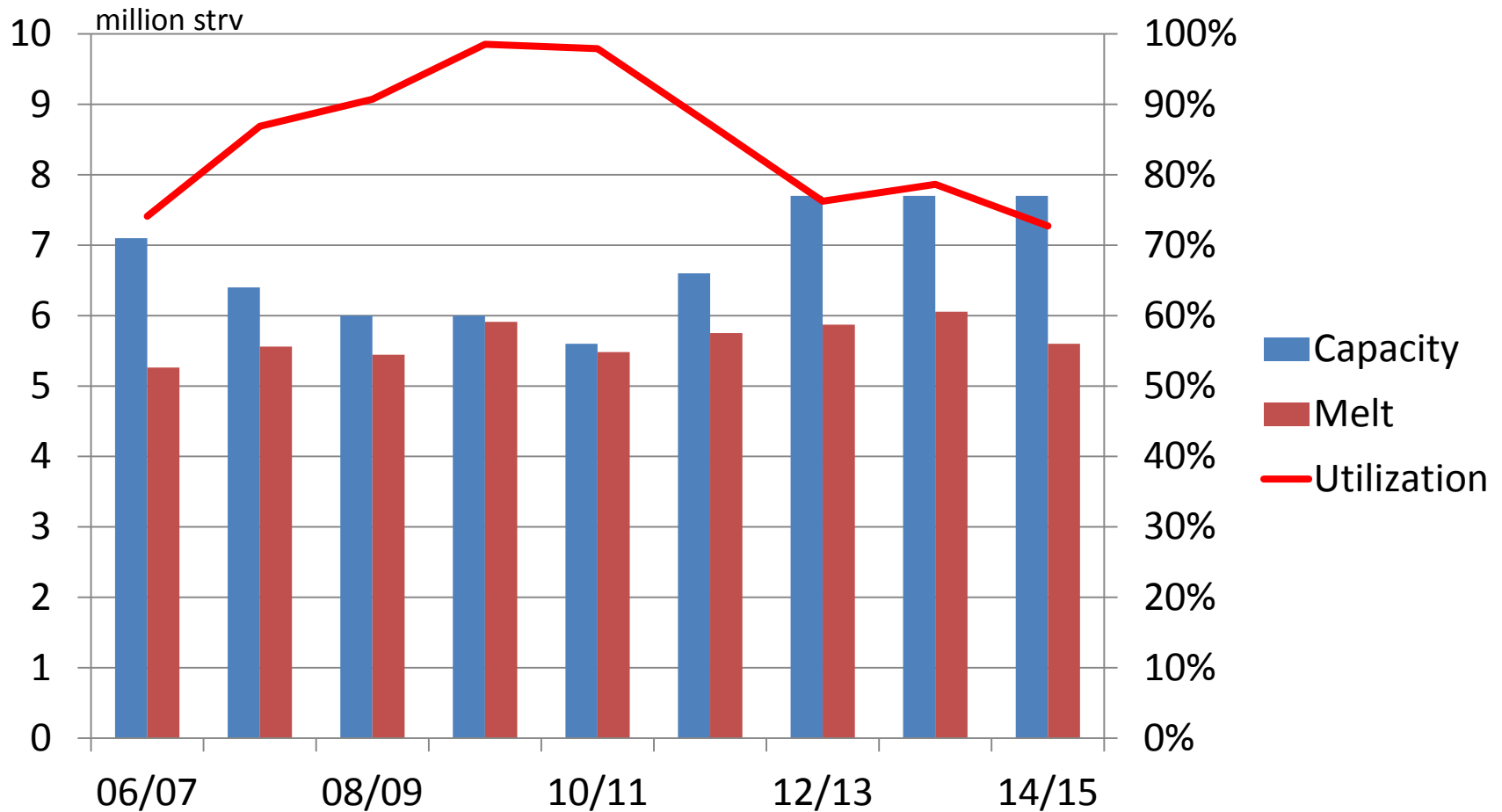


Challenges to Users & Refiners

- Sugar program led to refinery closures
- Farm bill limits import access
 - Refiners: Capacity utilization
 - Users: Holiday needs all fall Oct-Apr when imports constrained



Inadequate Refining Capacity Utilization



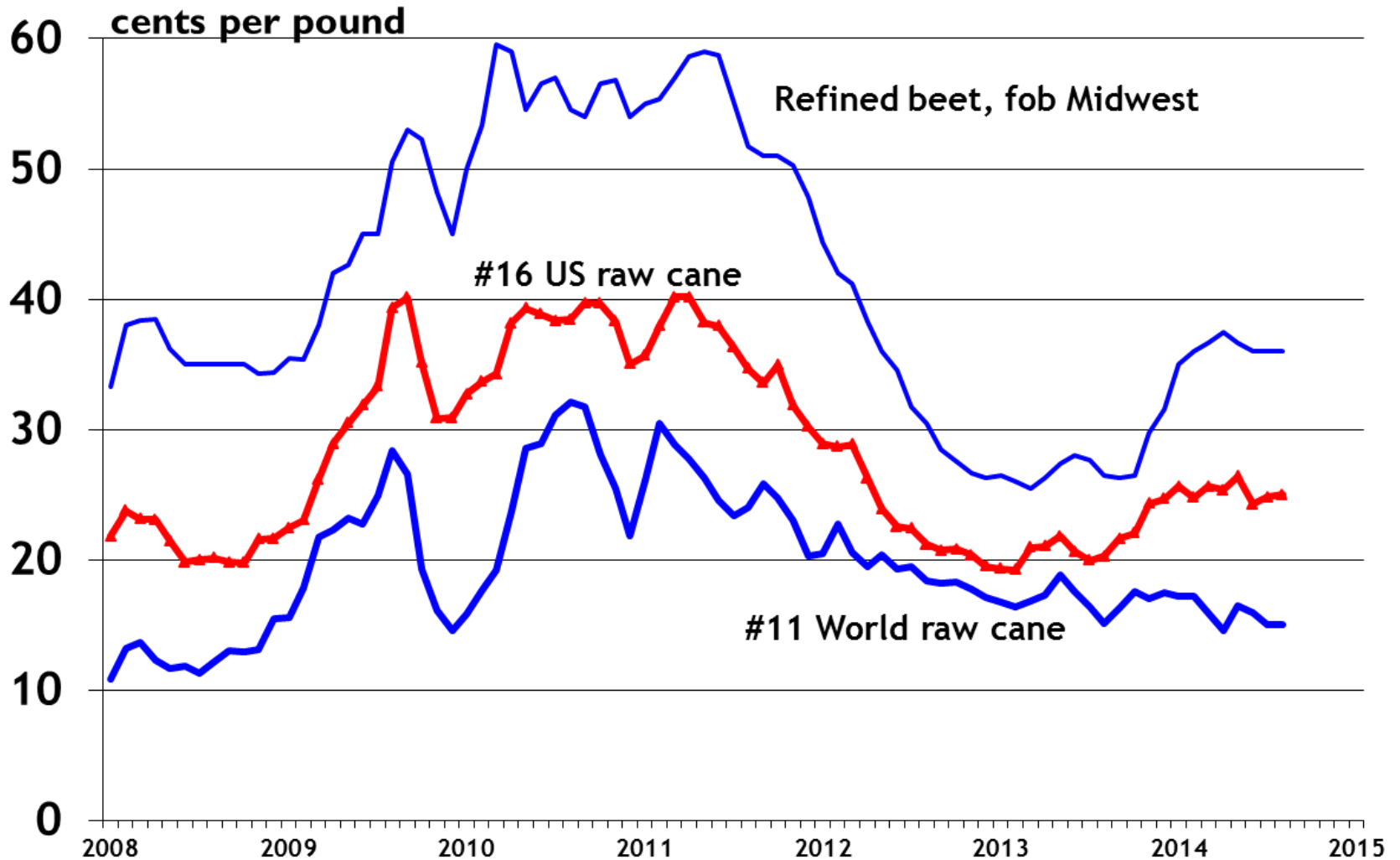
Source: Agralytica

Challenges to Users & Refiners

- U.S. market structure hampers hedging
 - #16 not good hedge for refined sugar (users)
 - #16 thinly traded (refiners)



World and US Sugar Prices

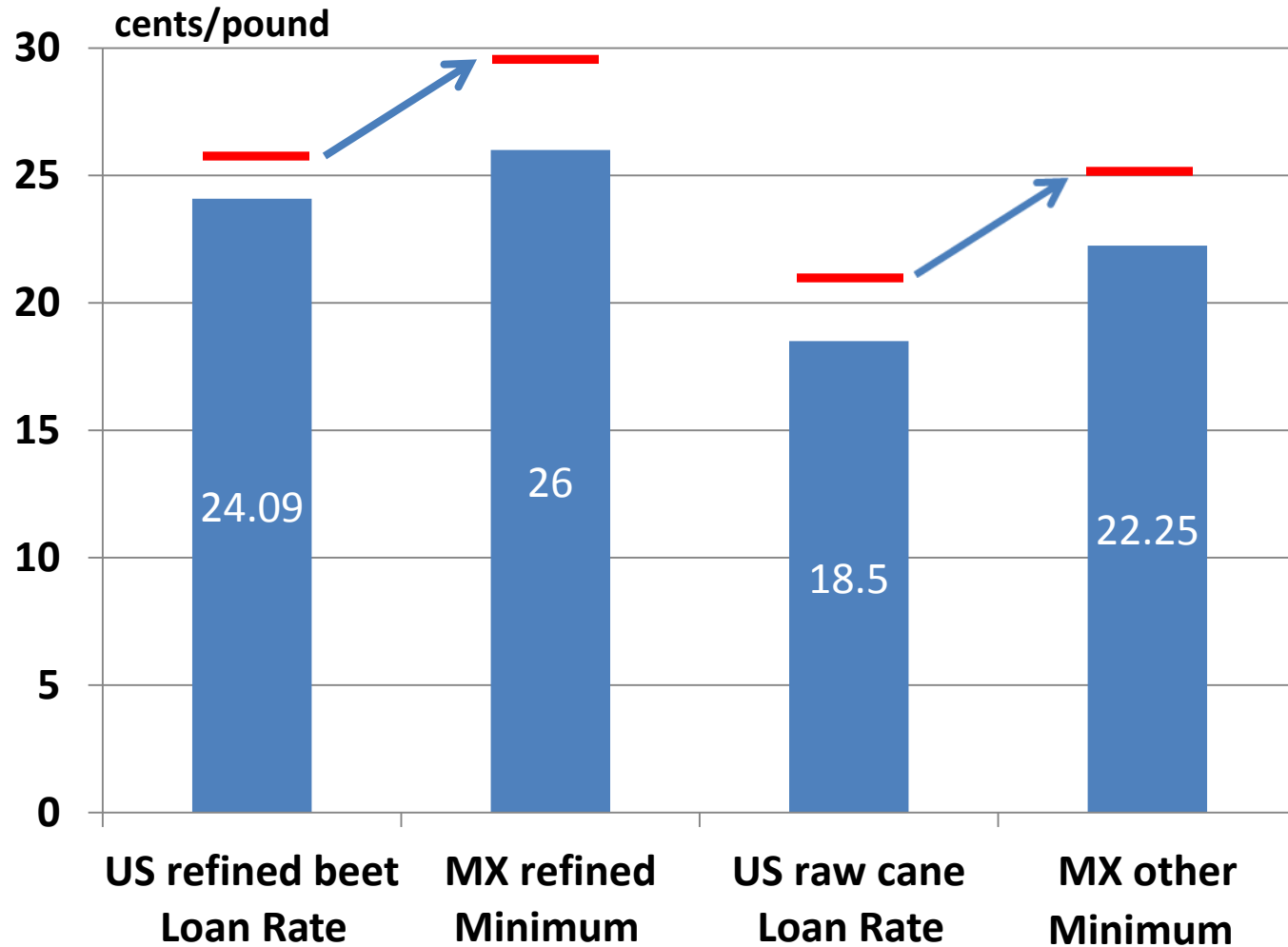


Mexico Suspension Agreement

- Free trade gone, quotas back
- De facto higher price floor for raws
- Incentives to ship refined, avoid refineries
- Implies narrow refining margin
- Could harm capacity utilization
at refineries



Agreement Would Raise Minimum US Prices





Re-Export Program

- Suspension agreement makes even more important
- SCP program enhances user exports
- Not a substitute for adequate imports
 - Volumes small compared to total imports, refining capacity
- Could Cuba be source of re-export raws?

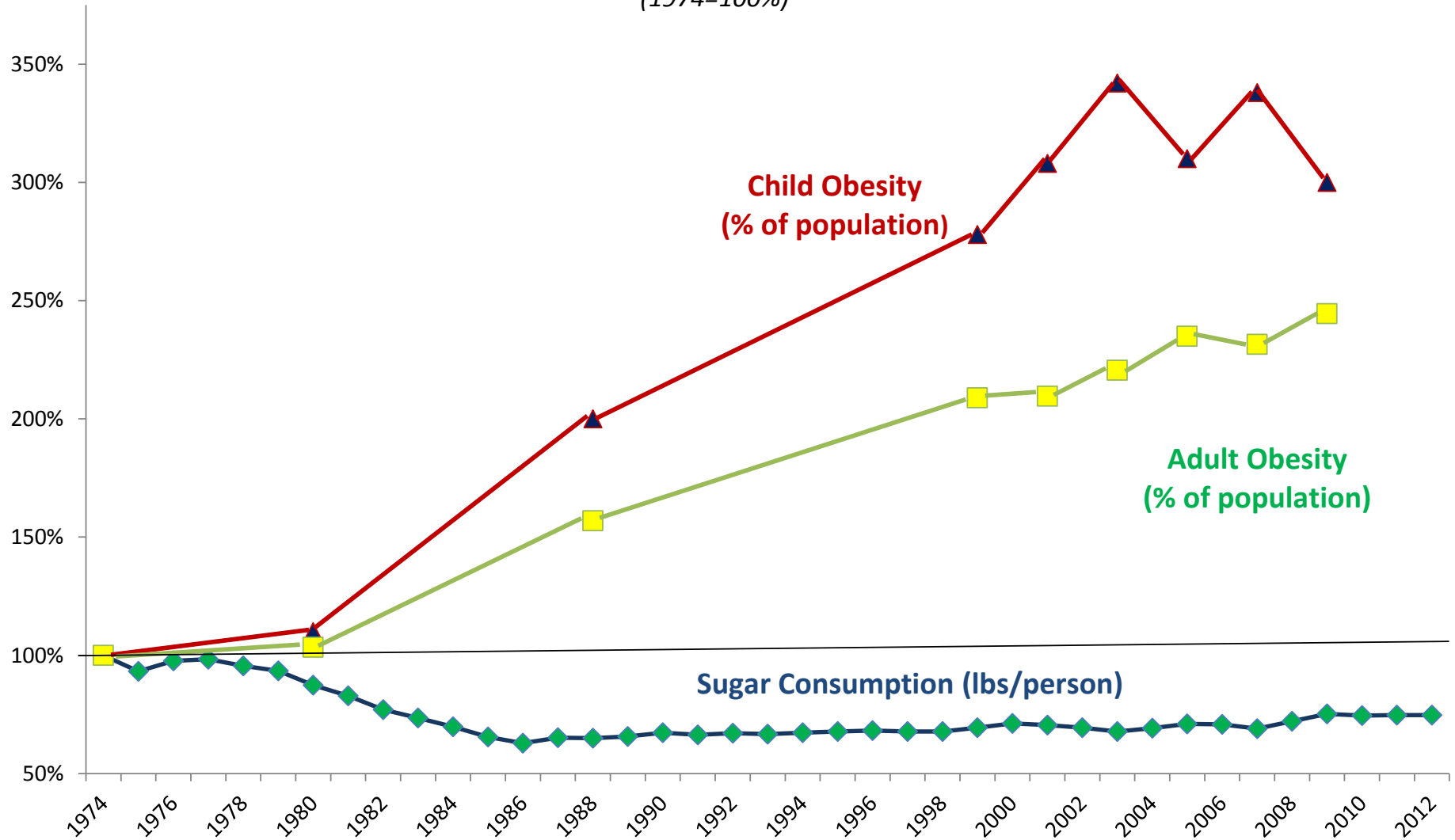
Why do We Need Sugar Program?

- TRQ limits imports
- Suspension agreements limit MX imports
- Suspension agreements set price floor
- Domestic allotments not really constraining
- **What's purpose of program now?**



Since 1974: U.S. Child Obesity Has Tripled, Adult Obesity Has More than Doubled; U.S. Per Capita Sugar Consumption has Fallen by Nearly a Third

(1974=100%)

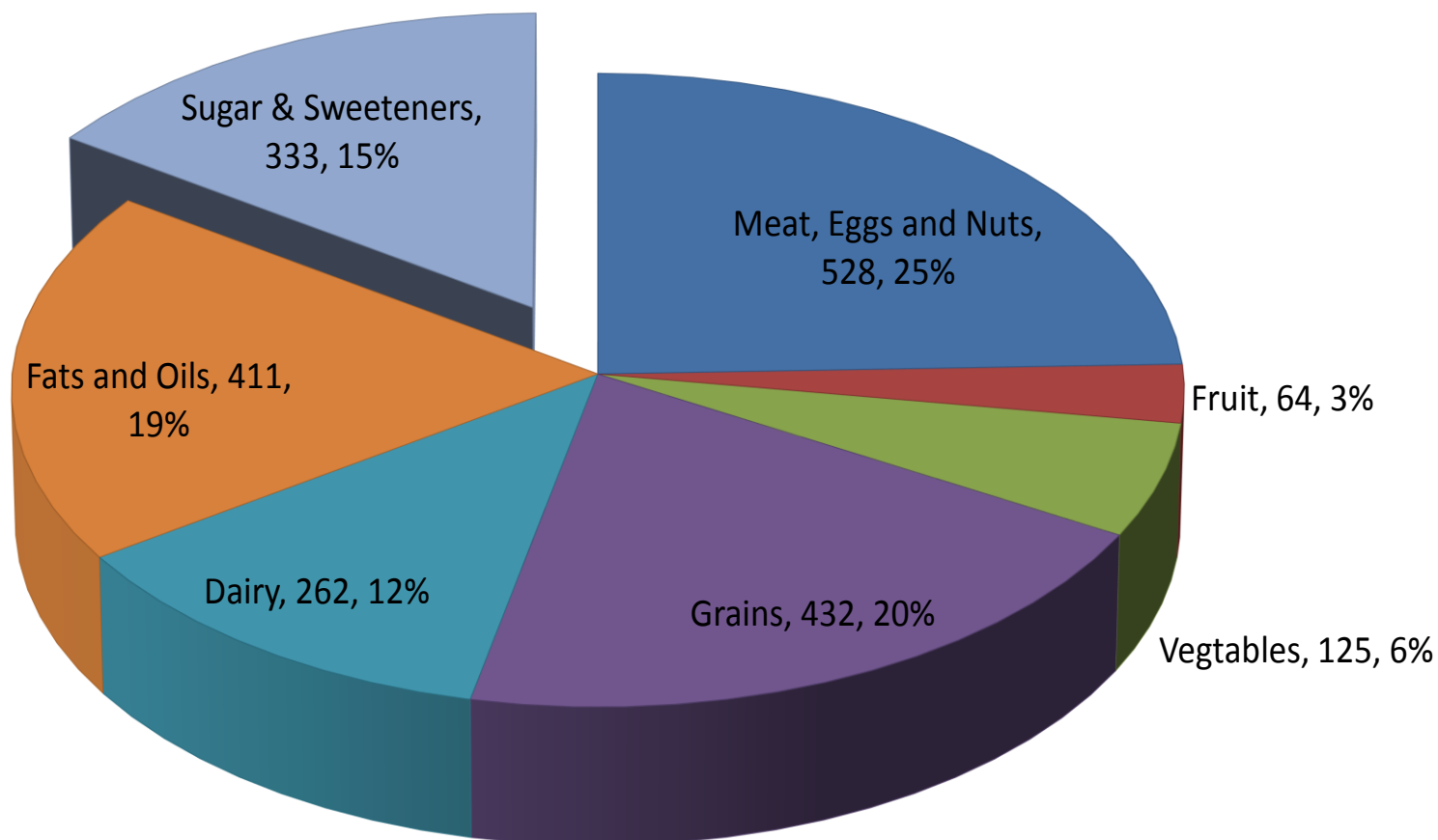


Source: Caloric Sweetener (Sugar + High Fructose Corn Syrup) Data -- Economic Research Service/USDA: <http://www.ers.usda.gov/Briefing/sugar/data.htm>

Obesity Data -- Centers for Disease Control and Prevention/HHS.

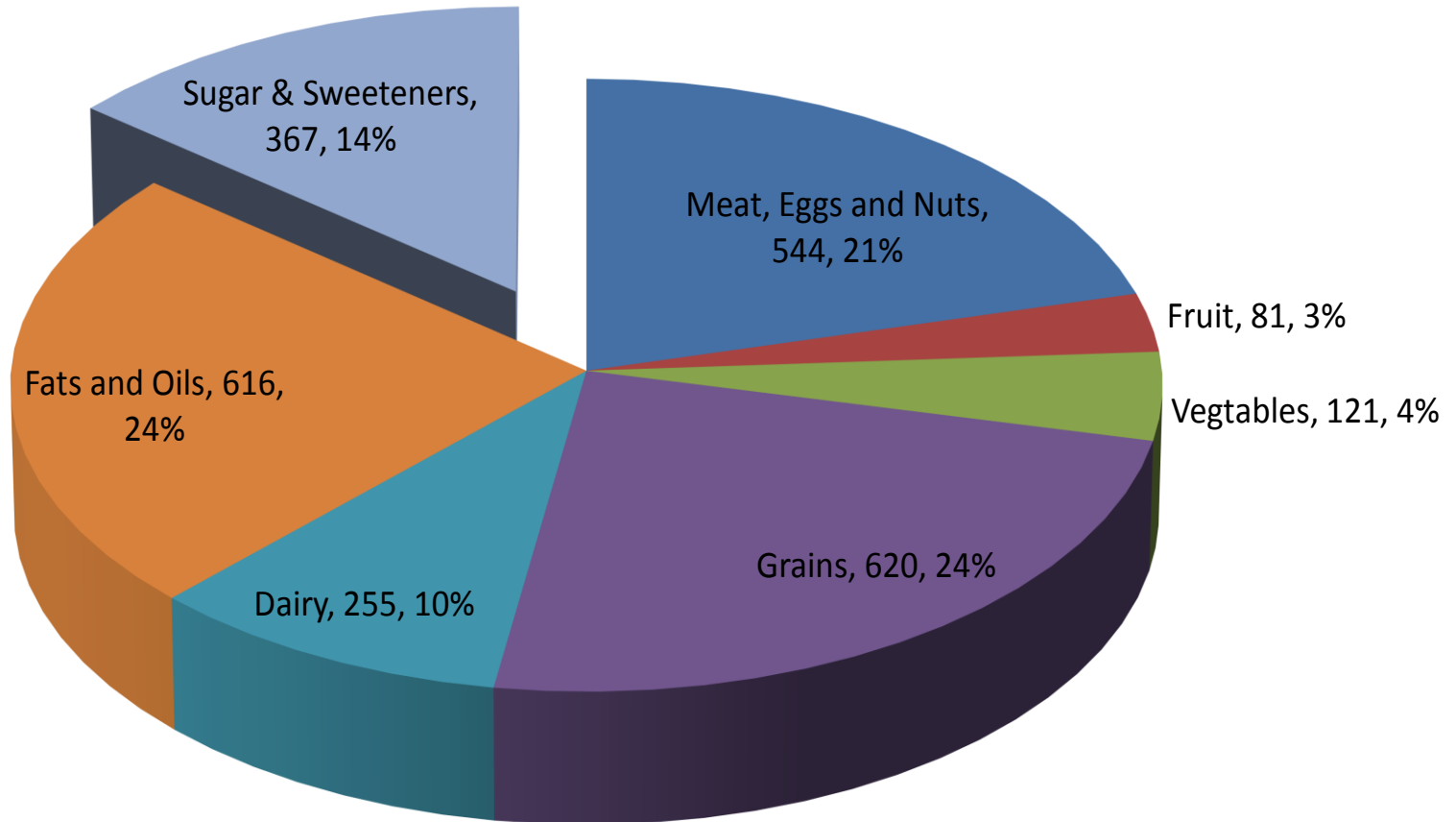
Note: Official obesity data available only for years shown.

**1970 U.S. Per Capita Daily Caloric Consumption;
Sugar & Sweeteners' Share 15%**



1970: Total calories: 2,155

**2010 U.S. Per Capita Caloric Consumption Up 21% from 1970;
Sugar & Sweeteners' Share Drops to 14%**



2010: Total calories: 2,604

Source: USDA/ERS; <http://www.ers.usda.gov/data-products/food-availability-%28per-capita%29-data-system.aspx>

Dietary Guidelines

- Released this week
- Focus on added sugars
 - Not enough scientific evidence
 - Limits consumer choice
- We support education

